

FINAL REPORT
OF THE
INTERIM STUDY COMMITTEE ON
AGRICULTURE



Indiana Legislative Services Agency
200 W. Washington Street, Suite 301
Indianapolis, Indiana 46204

November, 2012

INDIANA LEGISLATIVE COUNCIL

2012

Senator David Long

Vice-Chairperson

Fort Wayne

Speaker Brian Bosma

Chairperson

Indianapolis

Senator Vi Simpson

Bloomington

Representative Linda Lawson

Hammond

Senator Brandt Hershman

Buck Creek

Representative Kathy Richardson

Noblesville

Senator Patricia Miller

Indianapolis

Representative William Friend

Macy

Senator Brent Steele

Bedford

Representative Eric Turner

Cicero

Senator James Merritt

Indianapolis

Representative Timothy Brown

Crawfordsville

Senator James Arnold

LaPorte

Representative Vanessa Summers

Indianapolis

Senator Timothy Lanane

Anderson

John M. Ross
Executive Director
Legislative Services Agency

INTERIM STUDY COMMITTEE ON AGRICULTURE

Membership Roster

Representatives

Don Lehe, Vice-Chairperson
Brookston

Steve Davisson
Salem

Douglas Gutwein
Francesville

Phillip Pflum
Milton

Mary Ann Sullivan
Indianapolis

Dale Grubb
Covington

Senators

Jean Leising, Chairperson
Oldenburg

Greg Walker
Columbus

John Waterman
Shelburn

Lindel Hume
Princeton

Richard Young
Milltown

Timothy Skinner
Terre Haute

Staff

Francine Rowley-Lacy
Attorney for the Committee

Jessica Harmon
Fiscal Analyst for the Committee

A copy of this report is available on the Internet. Reports, minutes, and notices are organized by committee. This report and other documents for this Committee can be accessed from the General Assembly Homepage at <http://www.in.gov/legislative/>.

I. LEGISLATIVE COUNCIL DIRECTIVE

The Legislative Council directed the Committee to study the following:

- A. Obstacles to local food production, processing, and distribution in Indiana (HEA1312); and
- B. Encouragement for farmers and residents to produce, process, and distribute locally grown food (HEA 1312).

II. SUMMARY OF WORK PROGRAM

The Committee met 3 times during the interim:

August 21. The Committee considered testimony concerning obstacles to local food production, processing, and distribution in Indiana.

September 26. The Committee met to hear testimony and discuss the following:

- (1) Farmland valuation.
- (2) Crop insurance.
- (3) Farmland and the productivity factor.
- (3) Farm insurance and the effect of the drought on Indiana farmers.

October 22. The Committee met to hear testimony and discuss the following:

- (1) Farmland and the productivity factor (met jointly with the Commission on State Tax and Financing Policy).
- (2) Farmers markets.
- (3) Possible legislation to be introduced during the 2013 session of the General Assembly.
- (4) The Committee's final report.

III. SUMMARY OF TESTIMONY

The Committee heard testimony from the following individuals:

The August 21st meeting:

Rep. Davisson gave an update on the activities of the Locally Grown Working Group (Group) along with an overview of the Group's fact-finding process and action plan. Rep. Davisson highlighted the key challenges and opportunities that the Group plans to pursue, including the following:

- (1) Quantify the economic impact and potential of locally grown foods.

- (2) Reach out to local health departments concerning locally grown foods.
- (3) Make meat inspection available for small processors.
- (4) Facilitate the aggregation of local food products.
- (5) Resurrect/recreate infrastructure in Indiana to process locally grown foods all year long.
- (6) Educate consumers on the benefits of purchasing Indiana agricultural products.
- (7) Incentivize public institutions to purchase locally grown foods.
- (8) Facilitate the growth of new and diversified producers.

Gary Haynes, Board of Animal Health (BOAH), explained the role of BOAH, which includes promulgating regulations for dairy, meat, and poultry processing along with licensing and inspecting livestock marketing facilities. Mr. Haynes explained that any meat sold or transported for sale in Indiana must be inspected, including meats sold at farmers markets. However, if meat is slaughtered for personal use, an inspection is not necessary and there are a few federal exemptions for poultry sales.

Mark Straw, Indiana State Egg Board (Egg Board), discussed licensing requirements and exemptions for selling eggs in Indiana. Mr. Straw also discussed guidelines for labeling egg cartons. Mr. Straw explained that the Egg Board relies heavily on local health departments to assist farmers markets.

Robert Kraft, Indiana Farm Bureau, discussed issues that face small producers, including the following:

- (1) Weather.
- (2) Infrastructure network.
- (3) Taxes.
- (4) Opportunity to enter the farming market.
- (5) Municipalities exercising jurisdiction beyond their boundaries.

Dr. James Howell, Indiana Department of Health, explained that Indiana has 93 local health departments that enforce the Indiana Code, the Indiana Administrative Code, and local health ordinances concerning agriculture. In response to Committee members' questions concerning regulatory obstacles for farmers markets and local producers, Dr. Howell stated that there have been no specific obstacles brought to his attention from the farmers market community regarding regulatory issues.

Sarah Simpson, Indiana State Department of Agriculture (ISDA), gave an overview of ISDA's responsibilities and mission, which includes serving as an advocate for Indiana agriculture at the local, state and federal level.

Amy Cornell, Gina Sheets, and Jill Pritchard from ISDA presented information regarding ISDA's impact on local food production through the following programs, grants, plans, studies, and

entities: Specialty Crop Block Grant Program, Farmers' Market Cost Share Program, Organic Cost Share Program, Indiana Grown Program, Marketing Promotional Plan, Indiana Farm to School Committee, Indiana Cooperative Resource Council, Hoop House Grant, Small Farm Conference Grant, Indiana Horticultural Congress, Rural Summit, Local Food Hub Study, Market Maker Program, and the Green Express.

Dr. Nicolaas Mink, Center for Urban Ecology, Butler University, presented testimony on the development of local and regional food economies and expounded upon why these economies should be a legislative priority in Indiana.

Megan Hutchison, Local Growers' Guild (Guild), testified that the Guild is a cooperative of farmers, retailers, and community members dedicated to strengthening the local food economy in southern Indiana through education, direct support, and market connections.

Laura Henderson, Indy Winter Farmers Market and Growing Places Indy, presented information concerning the winter farmers market located in the City Market in Indianapolis. Ms. Henderson highlighted the fact that the Indy Winter Farmers Market is in its 4th year of operation with approximately 45 vendors.

The September 26th meeting:

Dr. Larry DeBoer, Purdue University, presented information concerning farm land valuation. Dr. DeBoer gave detailed information concerning property taxes on farm land and the likelihood of taxes on farm land continuing to rise in the future because of a few factors, including:

- (1) The increase in the base rate of farm land, which is the statewide starting point for farm land assessed values. The base rate was \$1,290 per acre for taxes payable in 2011. It will be \$1,500 for taxes in 2012, and it will be \$1,630 for taxes in 2013.
- (2) The increase in soil productivity factors that measure the productivity of the soil for growing corn, based on corn yields by soil type. The soil factors in the past have varied from 0.5 to 1.28. For taxes in 2013, the range for the new factors is 0.5 to 1.66.
- (3) The property tax cap for properties other than farm land.

Dr. DeBoer explained that farm land property taxes will not be impacted by the drought that happened this year (2012) until assessment year 2015, tax year 2016 because data used to calculate the taxes is averaged over a four year period.

Bob Walmer, Goshert Insurance, presented a brief history of crop insurance and gave an overview of current crop insurance coverage and types. Mr. Walmer said that there are insurance policies available to cover hail damage for farmers who sell produce at farmers markets. He explained that the drought this year will likely cause a spike in insurance claims and may cause many claims to not be addressed before the end of 2012. Mr. Walmer further explained that any

claim for \$200,000 or more will trigger a federal audit that will also cause some claims to not be addressed until well into 2013.

Don Villwock, Indiana Farm Bureau, gave remarks on farm insurance coverage in Indiana and the impact of the drought on Indiana farmers. Mr. Villwock stated that the drought this year was devastating to livestock and dairy producers in Indiana and it caused a low feed supply.

Sara Simpson, ISDA, advised the Committee that the U.S. Food and Drug Administration (FDA) recently approved a request from IDOA to allow grain handlers to blend corn contaminated by aflatoxins with other grains to make animal feed. Ms. Simpson stated that the approval from the FDA will give farmers more flexibility in feeding livestock at a time of limited feed supply.

Katrina Hall, Indiana Farm Bureau (IFB), gave an overview of soil productivity factors and their effect on farmland property taxes. Ms. Hall explained how soil maps are used to assign a productivity rating that is based on corn yield estimates. The more productive the soil, the higher the rating. Ms. Hall also discussed her concerns with the new soil productivity factors adopted by the Indiana Department of Local Government Finance (DLGF) this year. She stated that Indiana has made progress in the formula used to assess farmland, but further work should be done.

Robert Sigalow, Indiana Legislative Services Agency (LSA), gave a detailed analysis of the new soil productivity factors released by the DLGF on February 2, 2012. Mr. Sigalow explained how the new soil productivity factors were introduced into the LSA's property tax model to estimate the resulting tax shift for taxes payable in 2013.

October 22nd meetings:

Combined meeting with the Commission on State Tax and Financing Policy

Dr. Larry DeBoer, Purdue University, summarized the process for determining the value of farm land and explained that, under Senate Enrolled Act 19 from the 2012 session of the General Assembly, the soil productivity factors used for the March 1, 2011, assessment date are to be used for the March 1, 2012, assessment date (notwithstanding the availability of new soil productivity factors). He also presented concerns regarding the correct formula to use in determining the yield factor that is used in calculating the soil productivity factors, as well as the accuracy of soil data provided by the Natural Resources Conservation Service.

Katrina Hall, IFB, gave an overview of how farmland is assessed. She testified that the IFB would like the General Assembly to be in charge of soil productivity factors.

Aaron Smith, Watchdog Indiana, said that good public policy would dictate having the property tax burden for all property tax payers the same as it was in 2011. He disagreed with having one class of property tax payers receiving a major increase in their tax burden.

Individual meeting of the Committee

Committee members discussed language for possible legislation to be introduced in the 2013 General Assembly that would include freezing soil productivity factors at their current rates until further data can be researched.

Rep. Davisson reported that the Locally Grown Working Group would like the General Assembly to work on creating incentives for state institutions to purchase locally grown products. He stated that the Group does not have an official recommendation to present at this time.

IV. COMMITTEE FINDINGS AND RECOMMENDATIONS

The Committee made the following recommendation (the recommendation was adopted by a unanimous roll call vote with ten members present):

The Committee recommends legislation be introduced in the 2013 session of the General Assembly that freezes soil productivity factors for each type or classification of soil shown on the United States Department of Agriculture's soil survey map for the March 1, 2011 assessment date, and as described in Senate Enrolled Act 19 from the 2012 session of the General Assembly, until further data can be researched and presented to the General Assembly. New productivity factors are to be approved in a law enacted by the General Assembly before being used.

The Committee unanimously adopted its draft final report with eight members present and with the understanding that the actions taken during the Committee's October 22, 2012 meetings will also be included in the final report.

WITNESS LIST

Amy Cornell, Indiana State Department of Agriculture
Dr. Larry DeBoer, Purdue University
Katrina Hall, Indiana Farm Bureau
Gary Haynes, Board of Animal Health
Laura Henderson, Indy Winter Farmers Market and Growing Places Indy
Megan Hutchison, Local Growers' Guild
James Howell, Indiana Department of Health
Robert Kraft, Indiana Farm Bureau
Dr. Nicolaas Mink, Center for Urban Ecology, Butler University
Jill Pritchard, Indiana State Department of Agriculture
Robert Sigalow, Indiana Legislative Services Agency
Gina Sheets, Indiana State Department of Agriculture
Sarah Simpson, Indiana State Department of Agriculture
Aaron Smith, Watchdog Indiana
Mark Straw, Indiana State Egg Board
Don Villwock, Indiana Farm Bureau
Bob Walmer, Goshert Insurance